

Message Text

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ACTION ARA-20

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FM AMEMBASSY ASUNCION

TO SECSTATE WASHDC 2679

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY LA PAZ

AMEMBASSY MONTEVIDEO

AMEMBASSY SANTIAGO

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

USCINCSO

C O N F I D E N T I A L ASUNCION 2211

E.O. 11652: GDS

TAGS: PFOR, CI, BR, AR, PA

SUBJECT: SUMMITRY--PARAGUAYAN STYLE

REF: (A) ASUNCION 2028 (NOTAL); (B) ASUNCION 2068 (NOTAL)

1. SUMMARY. THE RECENT VISIT OF CHILE'S PINOCHET TO ASUNCION PREDICTABLY WAS LONGER ON SYMBOLISM THAN SUBSTANCE WHILE PRESIDENT STROESSNER'S FRONTIER MEETINGS WITH BRAZIL'S GEISEL MARKED THE CONCLUSION OF OPERATIONAL FORMALITIES FOR THE CONSTRUCTION OF THE ITAIPU DAM. THE SCHEDULED TRIP HERE BY ARGENTINA'S PERON ON JUNE 6-7 PROMISES TO BE AN EFFORT TO COUNTERACT THE POLITICAL DIMENSIONS OF THE CHILEAN AND BRAZILIAN VISITS. BOTH THE RENEWED SPECULATION LOCALLY REGARDING A PINOCHET-SPONSORED ANTI-COMMUNIST BLOC, AND OPPOSITION OUTCRIES CHARGING ANOTHER REGIME SELLOUT TO THE BRAZILIANS IN A COLLATERAL ITAIPU AGREEMENT ILLUMINATED ADDITIONAL ASPECTS OF ARGENTINE-CONFIDENTIAL

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BRAZILIAN RIVALRY IN PARAGUAY. INsofar AS PARAGUAY IS CONCERNED,

MEDIA SPECULATION CONCERNING A BRAZILIAN-LED SOUTH AMERICAN ANTI-COMMUNIST "AXIS" IS MOST UNREALISTIC GIVEN SUCH AN ARRANGEMENT'S INEVITABLE ANTI-ARGENTINE OVERTONES AND PARAGUAY'S CONSTANT NEED TO BALANCE ITS REATIONS WITH BRAZIL AND ARGENTINA. END SUMMARY.

2. PINOCHET'S REFERENCES HERE TO THE THREAT OF INTER-NATIONAL COMMUNISM REVIVED MILD SPECULATION ABOUT AN ANTI-COMMUNIST AXIS OF SOUTHERN LATIN AMERICAN MILITARY GOVERNMENTS WHICH HAD FIRST GAINED CURRENCY LOCALLY DURING THE CHILEAN JUNTA LEADER'S VISIT TO BRAZIL IN MARCH. HOWEVER, THE LEADERS OF THE GOP, RABIDLY ANTI-COMMUNIST THOUGH THEY ARE, WOULD BE FIRST TO ACKNOWLEDGE THAT ANYTHING BEYOND THE EXISTING CLOSE SECURITY AND INTELLIGENCE COOPERATION WITH ITS NEIGHBORS WOULD BE POLITICALLY UNREALISTIC. THIS IS PARTICULARLY THE CASE SINCE ARGENTINA WOULD VIEW ANY SUCH AXIS AS AT LEAST PARTLY DIRECTED AGAINST IT, THUS MAKING PARTICIPATION BY A BUFFER STATE LIKE PARAGUAY UNTHINKABLE.

3. ARGENTINA AND BRAZILIAN EMBASSY OFFICERS HERE GENERALLY APPEAR TO HAVE SHRUGGED OFF PRESS SUGGESTIONS REGARDING THE EMERGENCE OF AN ANTI-COMMUNIST BLOC WHICH WOULD INCLUDE PARAGUAY. WITH THE GREATER SANGFROID OF THOSE PRESENTLY AHEAD IN THE GAME, BRAZILIAN EFFORT TEND TO REJECT OUT OF HAND SUCH SUGGESTIONS AS IRRESPONSIBLE BALONEY. THEY HAVE, HOWEVER, BETRAYED SOME SENSITIVITY AT BEING LINKED WITH SUCH RUMORS. THE ARGENTINES HERE DEMONSTRATED SOMEWHAT GREATER CONCERN. ONE ARGENTINE EMBASSY OFFICER BELIEVES BLOC TALK WAS NOTHING BUT A REFLECTION OF A NATURAL "AFFINITY" AMONG MILITARY GOVERNMENTS AND WAS IN NO WAY DIRECTED AGAINST ARGENTINA. HE ALSO NOTED WITH SOME ASPERITY THAT SMALLER NEIGHBORING NATIONS SUCH AS PARAGUAY ARE TOO VULNERABLE TO ARGENTINE RETALIATION TO ASSOCIATE THEMSELVES CLOSELY WITH BRAZIL AND OTHER STATES IN ANY KIND OF COMBINATION INIMICAL TO ARGENTINA.

4. THE AGREEMENT SIGNED DURING THE STROESSNER-GEISEL MEETINGS TO REGULATE HCE SUPPLY OF CONSTRUCTION MATERIALS FOR ITAIPU RAISED A STORM OF CRITICISM WHICH HAD ANTI-BRAZILIAN OVERTONES. BOTH THE POLITICAL OPPOSITION AND THE INDEPENDENT PRESS CHARGED THAT, ONCE AGAIN, BRAZIL HAD BESTED ITS SMALLER NEIGHBOR. THEY CLAIMED THAT PROVISIONS THAT BI-NATIONAL AND CONFIDENTIAL

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HI-NATIONAL FIRMS IN PARAGUAY MIGHT PARTICIPATE IN THE SALE OF CEMENT, TIMBER, ETC. FOR THE DAM CONSTRUCTION CONSTITUTED A TROJAN HORSE WITH WHICH THE BRAZILIANS WILL TAKE OVER PARAGUAY'S SHARE OF CONSTRUCTION PROFITS IN ADDITION TO THEIR OWN. SOME OF THE FUROR CLEARLY HAS BEEN GENERATED BY CONFLICTING LOCAL INTERESTS ANXIOUS TO FREEZE OUT COMPETITION, AND ONE BRAZILIAN EMBASSY OFFICER HAS HINTED THAT THESE COMPLAINANTS WERE EGGED ON BY THE ARGENTINE EMBASSY HERE. REGARDLESS, THE ADMISSION OF FOREIGN

PARTICIPATION SEEMS TO HAVE BEEN A GOP INITIATIVE WHICH TACITLY RECOGNIZED THAT PARAGUAY, UNASSISTED, IS UNLIKELY TO BE CAPABLE OF FUNCTIONING AS A DEPENDABLE SUPPLIER ON A PROJECT WITH THE DIMENSIONS OF ITAIPU.

5. ONE OF THE PRINCIPAL GOP NEGOTIATORS OF THE AGREEMENT HAS TOLD US THAT, IN SPITE OF REPEATED GOVERNMENT PRODDING, THE PARAGUAY BUSINESS COMMUNITY HAS FAILED TO MOBILIZE ITS RESOURCES SUFFICIENTLY TO MEET RIGID BRAZILIAN DEMANDS FOR GUARANTEES OF ADEQUATE QUANTITIES OF RAW MATERIALS DELIVERED ON SCHEDULE. THUS, ALTHOUGH THE RECENT SUPPLY AGREEMENT LEAVES THE DOOR OPEN FOR SOLELY PARAGUAYAN SUPPLY COMPANIES, IN THE CASE OF CEMENT, FOR EXAMPLE, IT REALLY CONTEMPLATES FORMATION OF EITHER A JOINT PARAGUAYAN-BRAZILIAN COMPANY LOCATED IN PARAGUAY OR A SIMILAR COMPANY INCLUDING ARGENTINA.

6. THUS, ALTHOUGH ADVERSE LOCAL REACTION TO THE ITAIPU SUPPLY AGREEMENT HAS DISPLEASED THE BRAZILIANS HERE AND PLEASED THE ARGENTINES, NO MACHIAVELIAN BRAZILIAN MANEUVERS APPEAR TO HAVE BEEN INVOLVED. RATHER, AS INDICATED ABOVE, THE PARAGUAYANS SEEM SIMPLY TO HAVE CONCLUDED THEY WOULD BE UNABLE TO GO IT ALONE.

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